



NASA Procedural Requirements

COMPLIANCE IS MANDATORY

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Accounts Receivable, Billing, and Collection

Responsible Office: Office of the Chief Financial Officer

Table of Contents

Preface

- P.1 Purpose
- P.2 Applicability
- P.3 Authority
- P.4 Applicable Documents and Forms
- P.5 Measurement/Verification
- P.6 Cancellation

Chapter 1 Accounts Receivable

- 1.1 Overview
- 1.2 Roles and Responsibilities

Chapter 2 Accounts Receivable

- 2.1 Recognition of Accounts Receivable
- 2.2 Intragovernmental Receivables
- 2.3 Public Receivables
- 2.4 Aging of Accounts Receivable
- 2.5 Allowance for Loss on Accounts Receivable
- 2.6 Write-Off of Accounts Receivable
- 2.7 Accounting for Write-Offs
- 2.8 Difference Between Write-Off and Close-Out
- 2.9 Approval Authority Required for Write-Off

Chapter 3 Billing

- 3.1 Summary of Overall Requirements for Billing and Collection

3.2 Billing - Other than NASA Employee Debt

3.3 Billing - NASA Employee Debt

3.4 Intragovernmental Receivables Billing

Chapter 4 Receipt of Funds

4.1 Accounting for Collections

4.2 Treasury Designated General Depositories

4.3 Processing Checks Received

Chapter 5 Delinquent Debt

5.1 General

5.2 Identifying Delinquent Debts

5.3 Demand Letters

5.4 Determining Interest, Penalty and Administrative Charge Amounts

5.5 Installment Payments

5.6 NASA Internal Administrative Offset

5.7 Referring Public Debt to Treasury

5.8 Other available collection methods

5.9 Referral to Department of Justice

Chapter 6 Waiving, Suspension, Compromise and Termination of Debt

6.1 Compromise of Debt

6.2 Suspension of Collection Activity

6.3 Termination of Collection Activity

6.4 Close Out

6.5 Waiver of Claims for Erroneous Payment of Pay and Allowances, Travel, Transportation, and Relocation Expenses and Allowances.

6.6 Authority for NASA to Compromise, Suspend or Terminate Collection of Public Debt

6.7 False Claims

6.8 IRS Form 1099-C, Cancellation of Debt, Reporting

6.9 Reports

6.10 Quality Assurance

Appendix A. Definitions

Appendix B. Acronyms

Appendix C. References

Preface

P.1 Purpose

This NASA Procedural Requirements (NPR) document provides requirements for the proper management of NASA's accounts receivable. This includes the recognition, recording, and reporting of public and intragovernmental accounts receivable as well as the billing, collection, follow-up and, when necessary, the write-off, termination and close-out of delinquent public debt. Included as receivables are amounts due the U.S. from loans, fees, duties, leases, rents, royalties, services, sales for real or personal property, overpayments, fines, penalties, damages, interest, forfeitures, and other sources.

P.2 Applicability

- a. This NPR is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Service Support Centers. This language applies to JPL, other contractors, grant recipients, or parties to agreements only to the extent specified or referenced in the appropriate contracts, grants, or agreements.
- b. In this directive, all mandatory actions (i.e., requirements) are denoted by statements containing the term "shall." The terms: "may" or "can" denote discretionary privilege or permission, "should" denotes a good practice and is recommended, but not required, "will" denotes expected outcome, and "are/is" denotes descriptive material.
- c. In this directive, all document citations are assumed to be the latest version unless otherwise noted.
- d. In this document all references to local supporting legal counsel are assumed to mean the Office of the Center Chief Counsel or for Headquarters the Office of the General Counsel.

P.3 Authority

- a. Claims for Overpayment of Pay and Allowances, and of Travel, Transportation and Relocation Expenses and Allowances, 5 U.S.C. § 5584(a).
- b. Custodians of Money, 31 U.S.C. § 3302.
- c. Depositing, Keeping, and Paying Money, 31 U.S.C. § 3324.
- d. Debt Collection Authorities under the Debt Collection Improvement Act of 1996, Public Law 104-134, 31 U.S.C. §§ 3701, 3711-3720E.
- e. Collection by Offset from Indebted Government Employees, 5 CFR pt. 550.1104.
- f. Processing of Monetary Claims (General), 14 CFR pt. 1261.4.
- g. Depositaries and Financial Agents of the Federal Government, 31 CFR pt. 202.
- h. Debt Collection Authorities under the Debt Collection Improvement Act of 1996, 31 CFR pt. 285.
- i. Federal Claims Collection Standards, 31 CFR pt. 900-904.

- j. Contract Debts, 48 CFR pt. 32.6.
- k. Office of Management and Budget (OMB) Circular No. A-25, User Charges.
- l. OMB Circular No. A-129, Policies for Federal Credit Programs and Non-Tax Receivables.
- m. Department of Treasury - Financial Management Service, United States Standard General Ledger (USSGL).
- n. Treasury Financial Manual (TFM), Volume 1, Supplement, Managing Federal Receivables.
- o. TFM, Volume I, pt. 2, Chapter 4100, Supplement, Instructional Workbook For Preparing the Treasury Report on Receivables (TROR) and Debt Collection Activities.
- p. TFM, Volume 1, pt. 5, Deposit Regulations.
- q. TFM, Volume 1, pt. 6, Chapter 4000, Intragovernmental Payment and Collection.
- r. Internal Revenue Service (IRS). Publication 1220: Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically. Updated for each tax reporting year.
- s. Statement of Federal Financial Accounting Standard (SFFAS) No. 1, Accounting for Selected Assets and Liabilities

P.4 Applicable Documents and Forms

- a. NASA Policy Directive (NPD) 9010.2, Financial Management.
- b. NPR 1400.1 NASA Directives and Charters Procedural Requirements.
- c. NPR 1400.1 Documentation and Promulgation of Internal NASA Requirements and Charters.
- d. NPD 1400.2 Publishing NASA Documents in the Federal Register and Responding to Regulatory Actions.
- e. NASA Procedural Requirement (NPR) 9090.1, Reimbursable Agreements.
- f. NPR 9220.1, Journal Voucher Preparation and Approval and Intragovernmental Transactions.
- g. NPR 9310.1, Financial Management Reports - Accounting.
- h. NPR 9645.1, Claims for Erroneous Payment of Pay and Allowances, Travel and Transportation, Relocation Expenses and Allowances.
- i. NPR 9700.1, Travel.

P.5 Measurement/Verification

Quality control reviews and analysis of financial and budgetary reports and data submitted through the Continuous Monitoring Program (CMP) will be used to measure compliance with this NPR.

P.6 Cancellation

- a. NPR 9610.1 Accounts Receivable, dated September 30, 2008

b. NPR 9635.1, Billings and Collections, dated September 30, 2008.

Chapter 1 Accounts Receivable

1.1 Overview

1.1.1 NASA shall maintain accurate and up-to-date accounts receivable balances in accordance with the timeframes set forth in this NPR. This NPR sets forth the requirements for NASA to follow regarding the recording, reporting, billing, and collecting of receivables, as well as the management of delinquent debt.

1.2 Roles and Responsibilities

1.2.1 The Center Directors shall:

- a. Serve as the approving official for compromise, suspension, or termination of collection on debts not greater than \$100,000 that do not require referral to the Department of Justice (DOJ).
- b. Review all proposed compromise or termination of collection actions greater than \$100,000 prior to submission to the NASA Agency, Office of the Chief Financial Officer (OCFO).

1.2.2 The Office of the Center Chief Counsel or the Office of General Counsel when the debt originates at NASA Headquarters, (local supporting legal counsel) shall:

- a. Review all requests for waiver or compromise of debts that are submitted to the Center Director for concurrence or approval.
- b. Review and comment on the Claims Collection Litigation Reports (CCLR) required for all delinquent debt that will be referred to the DOJ.
- c. Provide advice on the status of NASA's claims or offsets when the debtor has filed for bankruptcy.
- d. Validate the financial representations submitted by debtors requesting installment payments.
- e. Provide advice to the Center Chief Financial Officer (CFO) concerning the rights of the debtor and the associated legal requirements when an administrative offset or garnishment is being considered.
- f. Provide advice to the Center CFO on all proposals for compromise, suspension, or termination of collection actions on delinquent debts, including those greater than \$100,000 that must be referred to the DOJ.
- g. Provide advice to the Center CFO on all apparent fraud cases discovered during the billing and collection processes.

1.2.3 The NASA Agency OCFO shall:

- a. Coordinate and monitor the processes and systems used to record, report, and collect NASA's receivables.
- b. Prepare and submit, based on reports from the NASA core financial system and other relevant programs, NASA's agency-level TROR. Information provided by the NASA Shared Services Center (NSSC).
- c. Submit Center requests to compromise, terminate, or suspend debts greater than \$100,000 to the

DOJ for approval.

1.2.4 The NASA Center CFO shall:

Submit to the Center Director or designee all proposed instances of delinquent debt compromise, suspension, or termination of collection actions for approval, including those greater than \$100,000 that must be approved by DOJ.

1.2.5 The NASA Center OCFO shall:

- a. Maintain a common understanding with NSSC of each party's roles and responsibilities to ensure that the receivables for which their Center is responsible are appropriately accounted for and serviced.
- b. Review all proposed compromise or termination of collection actions prior to submission to the Center Director (or designee) for approval.
- c. Review the status of reimbursable agreements and ensure that costs are recorded promptly and accurately.
- d. Record advance payments received for reimbursable agreements.
- e. Provide requested back-up data for reimbursable bills to NSSC for transmittal to customer with the monthly bill.
- f. Promptly forward all receipts of payments to the NSSC for deposit.
- g. Post receipt of collection in the NASA core financial system once notified by the NSSC of collection received.
- h. Review billing dispute determination when a customer has contested a claim.
- i. Monitor the collection and aging of receivables, write-off and close-out of debt.

1.2.6 The NSSC shall:

- a. Record receivables as soon as possible upon notification from the responsible Center office that an amount is due.
- b. Coordinate with Centers to bill reimbursable customers.
- c. Issue bills to reimbursable customers who have not provided advance payment.
- d. Issue bills and, when needed, provide supporting documentation to debtors for debts not arising from reimbursable agreements.
- e. When requested by the customer, provide notification when all or part of their advance payments are liquidated against costs incurred by NASA.
- f. Collect all monies due the Center pursuant to properly prepared billing documentation.
- g. Ensure that collections are recorded accurately in NASA's financial system.
- h. Promptly and properly disposition all monies received in accordance with this NPR.
- i. Monitor and age outstanding receivables and manage the debt collection function.
- j. Adjust allowances for loss on accounts receivables, interest, and penalties/administrative fees.
- k. Process write-offs of receivables after coordination with Centers responsible for the debts.

- l. In collaboration with Centers, respond promptly to communications from the debtor within 30 days, whenever feasible, and advising debtors who dispute the debt to furnish available evidence to support their contentions.
- m. Identify debt that has been uncollectible, coordinate with Centers on determinations of additional collection actions or if the debt is to be written-off.
- n. Refer delinquent debt to Treasury for cross-servicing in accordance with Treasury guidelines.
- o. Generate IRS Forms 1099-C for customers whose debts have been discharged or collection efforts terminated in accordance with guidance from the IRS. The IRS 1099-C Forms are not generated for debts that are reversed because of a correction or if the debt does not have legal merit.
- p. Maintain reports on the need for compromise of debt and the status of debt compromise.
- q. Reconcile system reports on collections and billings.
- r. Prepare and review TROR and submit report to Centers and the Agency OCFO.
- s. Prepare, review, and submit the CMP package to the Agency, Director, Financial Management Division (FMD).

1.2.7 Office of the Inspector General

Investigate claims which may indicate fraud, presentation of a false claim, or misrepresentation on the part of the debtor or any other party having an interest in the claim, that have been referred by the Center CFO, or other NASA official.

Chapter 2 Accounts Receivable

2.1 Recognition of Accounts Receivable

2.1.1 Identification and Recognition. SFFAS No. 1 requires a receivable be recognized when NASA establishes a claim to cash or other assets against other entities either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

2.1.2 Recognition of Adjustments and Correction to Accounts Receivable. Adjustments or corrections to accounts receivable should be posted as soon as possible and in the accounting period in which the adjustments or corrections occur. If adjustments or corrections affect transaction amounts, due dates, or any other terms for the receivable, NASA shall notify the debtor.

2.1.3 General Accounting for Receivables. Accounting records for receivables will be maintained so that all transactions affecting the receivables are included in the reporting period in which they occur. Receivables will be recorded, maintained, and reported in accordance with the USSGL. The first six digits of the accounts receivable general ledger will conform to the USSGL chart of accounts.

2.1.4 Internal Controls. Adequate internal controls will be in place to ensure accurate recording and maintenance of accounts receivables. Appropriate segregation of duties will be maintained which requires several individuals to be involved in the recording and reporting of public and intragovernmental accounts receivable activity. The Center CFO and the NSSC are responsible for ensuring a common understanding of each party's roles and responsibilities so accounts receivable are recorded, aged, written-off, or closed-out as required in this chapter. Major categories of receivables (reimbursable agreements, contract refunds, travel refunds, payroll, etc.) will be maintained to facilitate clear and full disclosure of accounts receivable including the name of the debtor, and the amount, age, and the type of debt. Subsidiary records will be reconciled to the control accounts on a monthly basis.

2.2 Intragovernmental Receivables

2.2.1 Identification and Recognition. Receivables due to NASA from other Federal entities are intragovernmental receivables and these receivables will be authorized and documented in a written reimbursable agreement between NASA and the ordering entity. The activity receiving the goods or services (ordering entity or customer) reimburses NASA. Amounts that do not represent liquidations of advances furnished by reimbursable customers are recorded as accounts receivable.

2.2.2 Accounting and Reporting Intragovernmental Receivables. SFFAS No. 1 requires NASA to report receivables from Federal entities (intragovernmental receivables) separately from receivables from public entities due to different legal and administrative requirements and concepts that apply to them. A receivable created from an agreement between NASA and other Federal agencies will be recorded in the month in which the associated revenue from the receivable is earned.

Intragovernmental receivables and payables between NASA Centers will be eliminated against each other during the reporting process and will be excluded from any external reporting of receivables (e.g. TROR).

2.2.3 Debts owed by any Federal agency to NASA (intragovernmental receivables) are exempt from interest, penalty, and administrative charges.

2.2.4 Document Retention for Receivables. NASA Centers and the NSSC shall maintain accurate, and complete documentation related to accounts receivable records. This documentation serves as the basis for proper servicing of debt including pursuing collection of delinquent debt if accounts become overdue.

2.3 Public Receivables

2.3.1 Identification and Recognition. Public receivables are claims of NASA against non-Federal entities. These non-Federal entities include the public, foreign Governments and companies, employees, and organizations outside the U.S. Government. Claims of NASA that will not be collected through liquidations of advances furnished by public entities are recorded as accounts receivable. Additionally, public receivables are created when interest accrues or a refund is identified.

2.3.2 Interest Receivable. If NASA does not receive payment for a public receivable by the due date then interest may accrue on the receivable and Interest Receivable will be recognized.

2.3.2.1 NASA shall recognize, as a receivable, accrued interest charges on accounts and loans receivable, as well as interest accrued on investment securities. Interest will be recognized on outstanding delinquent accounts receivable against persons or entities in accordance with provisions in 31 U.S.C. § 3717, Interest and Penalty Claims. Interest is accrued on outstanding debt when an amount due to NASA is not received by the established due date as described in Section 5.4 of this NPR.

2.3.2.2 Accounting for Interest Receivable. Interest receivable will be recorded by the NSSC for the amount of interest income earned but not received for an accounting period. These charges will continue to accrue until the debt is paid in full or otherwise resolved.

2.3.3 Refunds Receivable.

2.3.3.1 Refunds receivable are funds due to NASA that are directly related to, and will be a direct reduction of, a previously recorded expenditure. Thus, the recovery of an erroneous payment or overpayment which was erroneous at the time it was made qualifies as a refund to the appropriation originally charged. The rationale for crediting refunds to an appropriation account is to enable the account to be made whole for the overpayment that gave rise to the refund. Examples of refunds receivable include, but are not limited to the following:

- a. Amounts due from commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default.
- b. Amounts due for items rejected or returned.
- c. Recovery of amounts due on payments for contractual services when contracts are canceled and adjustments made for the unused portion.
- d. Amounts due from employees as a result of erroneous or invalid amounts on a travel voucher.
- e. The following types of refunds receivable related to employee pay and benefits:

(1) Salary overpayments.

(2) Amounts representing employee benefits paid by NASA while an employee is on Leave Without Pay (LWOP) status.

- (3) Health and life insurance premiums when gross pay is insufficient to fund the deduction (such as when an employee is on LWOP and will pay NASA for health insurance premiums in order to keep the insurance in force.)
- (4) Collectible court juror or witness reimbursements to employees while not in leave status.
- (5) Leave taken in excess of leave earned at separation.

2.3.3.2 Accounting for Refunds Receivable. Payroll offices, legal offices, procurement offices, or any entity that determines a refund is due to NASA for an overpayment will notify the NSSC that an accounts receivable is to be recorded in the NASA core financial system. Such notification will be made in the same accounting cycle that the debt is recognized. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable.

2.3.4 Invalid Accounts Receivable

2.3.4.1 Recognition and Identification. NASA Centers and the NSSC shall review receivables for completeness, accuracy, and supportability on a quarterly basis. Abnormal or incorrect accounts receivable will be promptly researched and resolved. Entries that established receivables should be reversed when NASA determines that the receivable is invalid.

2.3.4.2 Accounting for Reversals. If a debt is to be reversed, the reversal will be recorded in the period in which the adjustment occurs.

2.4 Aging of Accounts Receivable

2.4.1 Aging of receivables begins one day after the due date for both public and intragovernmental receivables. On a monthly basis the NSSC shall regularly run detailed aging schedules for all outstanding receivables by Center, analyze the open accounts receivable and make this data available to the Center CFO offices. The analysis should be performed prior to the normal monthly billing process. The original debt and any additional charges, included related administrative fees, interest, and penalties will all be aged as of the date the original debt became delinquent.

2.4.2 TROR Submission. The NSSC shall provide accounts receivable aging information to the Agency OCFO monthly and quarterly as part of their TROR and CMP submissions.

2.4.3 Aging Until Delinquent. Accounts Receivable will be aged at intervals from the due date until collected or determined to be uncollectible. NSSC shall maintain information on the number, amount, age, and collection status of accounts receivable and on uncollectible accounts, which, have been written off. When collection efforts are delayed or not successful, the NSSC should notify functional offices in order to avoid generating new receivables with debtors who have a history of delinquency or are unwilling or unable to pay.

2.5 Allowance for Loss on Accounts Receivable

2.5.1 The NSSC shall periodically (no less frequently than annually) calculate and adjust the allowance for uncollectible accounts receivable by fund for each Center (e.g. Allowance for Loss on Accounts Receivable, Allowance for Loss on Interest Receivable, and Allowance for Loss on Penalties, Fines, and Administrative Fees Receivable). The allowance for loss on accounts receivable applies only to public (non-Federal) debt, not intragovernmental receivables. Losses on receivables should be recognized when it is more likely than not (greater than 50 percent chance) that the receivables will not be completely collected.

2.5.2 Allowance accounts represent the estimated amount of uncollectible receivables which are used to reduce gross receivables by the amount of the estimated loss to their net realizable value. The net realizable value of the receivables is the receivables balance less the balances of corresponding allowance accounts.

2.5.3 Calculation of Allowance for Loss Balance. The balances of allowance accounts should be based on the history of write-offs for each delinquent age category recorded over the past two years. NSSC shall develop allowance percentages for each of the aging periods identified in

Part 1, Section C of the TROR. Each of the percentages developed is to be applied to the total value of non-Federal receivables (public) in that aging group.

2.6 Write-Off of Accounts Receivable

2.6.1 Requirements for the write-off of public accounts receivable are established in OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables. Generally, write-off is mandatory for public delinquent debt that has not been collected within two years of delinquency unless documented and justified to OMB in consultation with Treasury.

2.6.2 Exceptions for Mandatory Write-Off. In certain situations, debts could remain as assets and not written-off. In accordance with OMB Circular No. A-129, if NASA determines there are cases where material collections can be documented to occur after two years, debts cannot be written-off until the estimated collection becomes immaterial. When a Center believes a delinquent accounts receivable that is two-years old should not be written-off, the Center will submit a request for retention of the receivable to the Agency OCFO, Director for FMD. The request will include full documentation and justification for retention of the receivable. If the Agency OCFO concurs, the documentation and justification will be submitted to OMB for approval. Unless a determination is expressly made that the accounts receivable should not be written-off, the accounts receivable not collected within two years should be written-off.

2.6.3 Write-off is the process of removing accounts receivable from the financial records. NASA may write-off debt before two-years old due to any one of the following:

- a. Reasonable collection actions have been exhausted (interpreted to mean "demand letters" have been sent in 30-day increments with no success).
- b. The debt is delinquent by 120 days or more.
- c. The debt has been referred to Treasury prior to 120 days delinquent.
- d. The debt against the debtor has been discharged in bankruptcy.
- e. There is more than a 50 percent chance that the receivable will result in a loss.

2.6.3.1 The basis for determining if there is more than 50 percent chance that the receivable will result in a loss is covered by the U.S. Treasury Federal Claims Collection Standards, 31 CFR pt. 903.3, Termination of Collection Activity. It includes, some basic conditions which include, but are not limited to:

- a. NASA being unable to collect any substantial amount through its efforts or through the efforts of others.
- b. NASA being unable to locate the debtor.
- c. Costs of collection are anticipated to exceed the amount recoverable.

2.6.4 Debt in appeal or litigation. If the debt is being appealed by the debtor, is in litigation status, or for any other reason the collection activities have been suspended, and the debt has not been collected within two years, write-off of the debt is mandatory except for circumstances described above in which the Agency OCFO, Director for FMD, in consultation with OMB and Treasury determines that a debt is not to be written off.

2.7 Accounting for Write-Offs

2.7.1 Once NASA writes off a debt, it will be classified as Currently Not Collectible (CNC). While debts are in CNC status NASA should maintain the debt for administrative offset and other collection tools. All debt will be adequately reserved in the allowance account and all write-offs made through the proper allowance account. If at any time the amount of receivables to be written-off exceeds the balance in the allowance account, the allowance account will be increased before the receivables are written-off. Debts will not be written off directly to expense.

2.7.2 Reporting Debts in CNC Status. Debts in CNC status are reported on the TROR and are eligible for both offset and cross-servicing. During the period debts are classified as CNC, NASA should maintain the debt for administrative offset and other collection tools until whichever of the following occurs first:

- a. The debt is paid.
- b. The debt is closed out.
- c. All collection actions are legally precluded.
- d. The debt is sold.

2.7.3 Debt that is referred to Treasury will be classified as CNC until Treasury has notified NASA that collection activity is being terminated. Once Treasury has terminated collection activity, NASA shall classify the debt as close-out.

2.7.4 NASA shall maintain documentation related to write-offs to support the transaction.

2.8 Difference Between Write-Off and Close-Out

2.8.1 Write-Off. Write-off is an accounting action that results in reporting the receivable as having no value on NASA's financial statements. When NASA writes-off a debt it should be classified as CNC when NASA intends to continue cost effective debt collection action.

2.8.2 Close-Out. Close-out is a collection action in which NASA stops collecting on a debt and all further debt collection actions are prohibited. NASA should close out a debt when it is determined that further debt collection actions are prohibited, legally barred, or no longer cost effective to pursue and neither NASA nor Treasury or any other institution plans on taking future actions to try to collect the debt. In most cases, the closed-out debt will be reported to the IRS in accordance with Section 6.8 of this NPR.

2.9 Approval Authority Required for Write-Off

2.9.1 NASA does not need DOJ approval to write-off a debt of any amount since NASA is only adjusting its accounting records through write-off. Generally, write-off is mandatory for delinquent

debts older than two-years old unless otherwise approved by OMB, therefore, NASA does not require DOJ approval authority to write-off debts older than two years. When writing off debts arising from reimbursable work performed for a non-Federal customer, Centers must ensure that the unreimbursed costs are charged to funds that were available at the time the costs were initially incurred.

2.9.2 Debts Outstanding Less than Two Years. When a debt is written-off in less than two years the circumstances are such that normally it is also reasonable to assume that the debt will not be collected. In such cases, NASA shall also cease collection and transfers the debt to Treasury or DOJ. Should circumstance suggest that further collection actions by NASA (on debts written-off within two years) will result in a collection the Agency OCFO, Director for FMD, must expressly approve continued collection efforts by NASA.

2.9.3 Debts can be written-off if outstanding for less than two years under the following conditions:

2.9.3.1 Debts of \$100 or less. Center Deputy CFOs are authorized to periodically group, review, and approve write-off of debts where the amount of each debt is \$100 or less (including interest, penalties, and administrative charges). This includes debts that have been substantially collected, but have small residual balances remaining and it is not cost effective to attempt collection. Such a review will be done periodically, but not less frequently than quarterly. The review and write-off of this debt should be accomplished prior to month-end close. Although debts whose amount is \$100 or less are not individually significant, under no circumstances should internal controls be compromised by the write-off or reclassification of debt. Very small percentages of debt can frequently result in amounts that, while immaterial to the overall debt and write-off balances, are large enough to pose a risk of fraud and abuse. Adequate internal controls will be maintained.

2.9.3.2 Debts of \$20,000 or less. Center CFOs are authorized to approve the write-off of individual accounts receivable with principal amounts not exceeding \$20,000 that have been outstanding for less than two years.

2.9.3.3 Debts greater than \$20,000. Center CFOs, with concurrence from the Center Director or designee, will submit write-off requests for individual delinquent debts with principal amounts greater than \$20,000 to the Agency OCFO, Director for FMD, for approval.

2.9.4 Generally, write-off (while continuing collection efforts) is mandatory for public delinquent debt that has not been collected within two years. Explicit Center CFO approval or approval from the Agency, OCFO, Director for FMD, is not needed when the debt is two-years old. However, the Center CFO office, in consultation with NSSC, should review debts prior to two years in order to determine if additional collection efforts are warranted beyond two years. If the Center CFO or the NSSC believe it will be cost effective to continue collection efforts after two years for debts greater than \$20,000, the debt will be referred to the Agency, OCFO, Director for FMD, before it reaches two-years old for a determination whether the debt meets the criteria to remain active. If a determination is made to keep the debt active the Agency OCFO, Director for FMD, shall justify retaining the receivable on the books to OMB in consultation with Treasury. If such a determination is not made explicitly by the Agency OCFO, Director for FMD, and the debt has not been collected within two years, write-off is mandatory.

2.9.5 Unless approvals are obtained in accordance with the section of this NPR describing close-out of debts, any debts not collected within two years that are written-off should remain in CNC status.

Chapter 3 Billing

3.1 Summary of Overall Requirements for Billing and Collection

3.1.1 NASA will follow this sequence of events for the billing of public debts owed to NASA:

- a. NASA sends a bill to the debtor at the end of the accounting period in which the debt is identified.
- b. If the debtor does not respond, NSSC shall issue at least one written demand letter.
- c. If the debtor does not respond within 120 days after the debt becomes delinquent and the debt cannot be collected by offset, the debt will be transferred to Treasury for collection under the Treasury cross-servicing program.
- d. If the debt is not paid within 24 months of the time it became delinquent, the NSSC shall write-off the debt in NASA's core financial system. Treasury will continue to collect the debt for up to six years.
- e. Per the updated TROR instructions, if a debt is collected after it is written-off, NASA shall reinstate the dollar amount of written-off debt into total receivables in order to account for collections received.

3.1.2 Electronic Funds Transfer (EFT) for Billing and Collection. To the maximum extent possible NASA shall collect all funds by EFT when cost-effective, practicable, and consistent with current statutory authority, unless specifically waived by Treasury or statute. NASA will use the Treasury-approved electronic mechanisms for billing and collecting such as pre-authorized debits, credit cards, and electronic payments via the Internet. NASA will use other processes only when absolutely necessary due to system malfunction, or as required by statute or contractual or other legal agreements. When Treasury-approved EFT methods cannot be used, alternative collection mechanisms will be determined jointly with Treasury Bureau of the Fiscal Service (BFS). NASA may be required to provide a supporting cost benefit analysis when an alternative mechanism is used. Users should refer to the TFM, Volume I, Chapter 8000 for guidelines in which alternative collection mechanisms may be used.

3.1.3 Deferring Billing When Not Cost Effective . Unless specifically called for in a billing agreement, a regular interim billing can be deferred when the amount of a periodic billing would not be cost-effective to process and the Center expects that additional cost will be recorded. Generally, there is justification for deferring a billing if the amount of the bill is less than the incremental cost of processing the bill and the related collection and NASA expects to incur additional billing amounts. Consequently, incremental costs of processing billings and collections should be periodically analyzed. Agency collection procedures should provide for periodic comparison of costs incurred and amounts collected. An amount that remains unbilled (because an interim billing has been deferred) would be brought forward in the next billing cycle as a beginning unbilled balance. If a new total balance is then cost-effective to bill (i.e., cost-effectiveness based on where the amount billed is at least the cost of processing the bill and collection), a bill would be produced.

3.2 Billing - Other than NASA Employee Debt

3.2.1 NASA should initiate the billing process when they determine a debt exists. The NSSC will

send a bill to the debtor containing a specific due date. The due date for a receivable is normally 30 days from the date of invoice or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness.

3.2.2 Invoice preparation and mandatory letters of notification for non-federal organizations are automated in NASA's core financial system. Invoices will be printed and mailed promptly by NSSC to the debtor within five business days after the day that goods have been shipped or released, services have been rendered, or payment is otherwise determined to be due.

3.2.3 The initial billing notice for a public debt should include the following:

- a. Amount of debt.
- b. Basis of indebtedness.
- c. Opportunities available to the debtor to dispute the debt, instructions for obtaining copies of documents related to the debt, and instructions for requesting a repayment agreement acceptable to NASA if the debtor is unable to pay the debt in full.
- d. Date payment is due, usually 30 days after the date of billing.
- e. Steps NASA will take to enforce collection, such as reporting debt to a credit bureau; referring the debt to Treasury for collection actions, including offset; referral to a Private Collection Agency (PCA); administrative wage garnishment; and litigation.
- f. Request that the debtor provide his/her taxpayer identification number (TIN).
- g. Name, phone number, and address of an individual to contact within NASA concerning the debt.
- h. Instruction that payment will be made to "NASA" not a NASA official.
- i. Notice that pursuant to 31 U.S.C. § 3717, additional charges will be assessed on payments received after the due date, including:
 - (1) Interest rate to be applied from the date the debt is owed.
 - (2) Administrative charges.
 - (3) Penalties, not to exceed 6 percent per year on any portion of the debt delinquent for more than 90 days, accrued from the date the debt became delinquent.

3.2.4 NASA shall maintain the following information related to public bills:

- a. A uniform numbering system for all bills tendered.
- b. A filing system to separately identify uncollected bills and collected bills.
- c. A bill register for all bills issued. The bill register should include the date of the bill, the bill number, the name of the debtor, the amount of the bill, and a description. NASA's core financial system provides for automated mechanisms to do this.

3.2.5 NASA's core financial system's analytical capabilities will be used to assist in determining delinquent debts including; aging of accounts receivable, tracking of delinquent accounts, with printed and online reporting capability.

3.2.6 Late payment interest, other penalties, and administrative costs will be calculated by the NSSC and recorded in NASA's core financial system.

3.2.7 Manual Billing. When manual billing is required, billing will be posted in NASA's core financial system before mailing.

3.2.7.1 Optional Form 1114, Bill for Collection, should be used to bill debtors other than other Federal agencies. Letters and other supporting documents, when necessary, should be used to transmit and explain the billing.

3.2.7.2 Consolidated Billing. A consolidated monthly bill should be sent to each debtor in order to lessen the volume of paper and accounting work involved, unless the unpaid dollar amount is so small that preparing and issuing a bill would not be cost effective and there is ongoing work on the reimbursable agreement.

3.3 Billing - NASA Employee Debt

3.3.1 When a NASA employee owes a debt, NASA will send the employee a bill for collection or request for payment. If the employee does not pay the debt within 30 days, the NSSC shall issue a demand letter that will include notification that NASA will collect the debts via salary offset if the debt is not paid within 30 days. The notification and the demand letter will conform to the requirements in 31 CFR § 901.2. In certain cases, such as health insurance premiums for personnel on leave without pay, the debt does not become payable until a specific event occurs. In such cases the 30-day period begins when the repayment period begins and in some cases NASA may authorize repayment in installments.

3.3.2 Payroll Deduction. Bills need not be issued when collections are to be made by payroll deductions.

3.3.3 Jury Duty Fees. The collection of jury duty fees can normally be accomplished without formal billing. Employees serving on jury duty should be informed to refund jury duty fees received to compensate them for lost salary, if applicable, upon return to work. The pay records of employees serving on jury duty will be annotated so that proper follow-up actions can be taken to ensure the refund is received. However, any portion of jury fees received that represent reimbursement for expenses (rather than for their salary) may properly be retained by the juror. See 5 U.S.C. § 5515, a Government Accountability Office ruling, *Glenell v. Hines*, B-214558, July 23, 1984, and OPM guidance <http://www.opm.gov/oca/leave/HTML/courtlv.HTM>.

3.3.4 Travel Advances. Each Center's financial management office shall establish a system of review to ensure that travel advances are recovered.

3.4 Intragovernmental Receivables Billing

3.4.1 Bills resulting from transactions with other Federal agencies will be processed, where possible, through automated or regularly established, self-collection methods, such as the Treasury's Intragovernmental Payment and Collection (IPAC) system. Invoices and bills to Federal agencies are prepared in NASA's core financial system and electronically interfaced to the IPAC system for subsequent electronic transmission to Treasury and to the other agency. Remittance by check from Federal agencies will be used as a last resort, and is not allowed between NASA Centers. Invoices for amounts due under ongoing reimbursable agreements will be issued at the end of each month based on the cumulative unreimbursed costs incurred as of the end of the month.

3.4.2 Additional guidance concerning billing requirements for reimbursable work is included in NPR, 9090.1, Reimbursable Agreements.

3.4.3 Intragovernmental Business Rule. NASA Centers and the NSSC shall comply with the requirements in 1 TFM 2-4700 Appendix 10, Intragovernmental Transaction Guide (ITG), and NPR 9220.1, Journal Voucher preparation and Approval and Intragovernmental Transactions. Those requirements address the billing data and timeframes, as well as reconciliation requirements when one Federal entity provides goods or services to another Federal entity on a reimbursable basis. In addition, the ITG and NPR 9220.1 contain specific guidance and timeframes for dispute resolution.

3.4.4 Standard Form (SF) 1080, Voucher for Transfer between Appropriations and/or Funds, should be used to bill other Government agencies when the paying agency is not serviced by a Treasury financial center or the IPAC system cannot be used.

3.4.5 SF 1081, Voucher and Schedule of Withdrawals and Credits, should be used to bill other Government agencies when both the billing and the paying agency are serviced by a Treasury financial center. Before using a SF 1081, the agency will be contacted to ensure that it cannot accept IPAC charges.

Chapter 4 Receipt of Funds

4.1 Accounting for Collections

4.1.1 Overview. This chapter establishes requirements for the deposit of money in the custody of NASA employees and agents.

4.1.2 Public Debt Collections. When NASA receives public money from any source, NASA will deposit these funds into an account of the U.S. Treasury, unless otherwise specifically authorized by law, using one of the several methods established or approved by the Department of Treasury.

4.1.2.1 The Agency OCFO shall guide and coordinate the implementation and utilization of the most modern available deposit mechanisms offered by Treasury to ensure that NASA uses secure and effective deposit practices for the deposit of money in the custody of NASA employees and agents. The NSSC will coordinate with the Agency, Deputy Chief Financial Officer (Finance) (DCFO(F)) before changing or implementing new deposit mechanisms or practices.

4.1.2.2 EFT. To the extent possible, NSSC will use the electronic options available through Treasury BFS. EFT will be used for deposits. In most cases, commercial banking institutions are approved by Treasury as general depositories to accept NASA deposits. If, for some reason, Treasury BFS determines NASA should make a deposit in a Federal Reserve Bank (FRB), BFS will authorize NASA to make deposits at the nearest FRB. Collectively, the commercial banks and FRBs are referred to as depositories. As such, making a deposit in a pre-approved depository is considered to be making a deposit in the Treasury. NSSC shall coordinate any prospective changes in depositories with the Agency DCFO.

4.1.3 Intragovernmental Debt Collection. NASA delinquent debt collections are processed through Treasury and will be sent to NASA on a biweekly basis via the IPAC system to the appropriate Agency Location Code (ALC). Collections will be promptly recorded in NASA's core financial system and subsequently reconciled. Upon receipt of reports from Treasury, collections should be accounted for in the following manner:

- a. Principal should be credited to the appropriate accounts receivable general ledger account.
- b. Interest should be credited to Interest Receivable, Not Otherwise Classified Fund.
- c. Penalty charges should be credited to Penalties and Fines Receivable, Not Otherwise Classified Fund.
- d. Administrative charges should be credited to Administrative Fees Receivable, Not Otherwise Classified.

4.2 Treasury Designated General Depositories

4.2.1 Financial Institutions (FIs). The Treasury BFS determines those FIs eligible to be designated as general depositories. These may include credit unions, banks, savings banks, savings and loan, building and loan, and homestead associations if they meet criteria established by the Treasury. Except when specifically directed by Treasury BFS, NASA cannot make deposits at a FRB.

4.2.2 Treasury Automated Lockbox Network (NETWORK). With the approval of Agency OCFO or DCFO and Treasury BFS, NSSC shall enter into agreements with commercial depositories to

perform lockbox remittance services. This permits commercial depositories to act as agents for NASA's deposit activities.

4.3 Processing Checks Received

4.3.1 NASA Intragovernmental Receivables are collected via the IPAC system. NASA should only receive checks from the collection of public receivables and the following conditions apply:

4.3.1.1 Check Inscription. Payers should make a check payable to "NASA", not to the Department of Treasury. However, if a check is made payable to Treasury, NASA should accept it and process it immediately. TFM, Volume 1, Part 5, Section 2025, contains instructions for handling checks received by one agency and made payable to another. Checks should not be made payable to individual NASA employees under any circumstances.

4.3.1.2 Payers should be directed to submit all checks directly to NSSC. Any checks received by a NASA Center shall be sent to NSSC without delay. The receiving Center will make a copy of the check and any other documents submitted with the check before sending the check to NSSC for deposit.

4.3.1.3 Record of Checks Deposited. NSSC will maintain records and copies of checks according to the procedures documented in Treasury's TFM, Volume 1, Part 5, Chapter 2030, which includes the specific information that should be shown on the record for each check deposited. Sufficient detail to process a stop payment should be included and a duplicate check should be obtained, if necessary. Records of checks deposited by the NSSC will be kept in the NSSC's official record retention system and are also located at the Treasury Paper Check Conversion Over the Chanel Application (OTCnet). NSSC shall ensure that records are available for the Deposit Ticket and Debit Voucher, along with records of deposited checks, and:

a. Use SF 215, OTCnet Deposit Tickets and SF 5515, Debit Vouchers when making deposits to depositories.

b. Cross-reference each check to the applicable SF 215.

4.3.1.4 Other deposit practices NSSC shall adhere to are:

a. Receipts totaling \$5,000 or more will be deposited on the same day received prior to depository cut-off time.

b. Deposits will be made as late as possible prior to the specified cutoff time to maximize daily deposit amounts.

c. Money received too late in the day to meet the deposit cut-off time will be deposited the following business day.

d. Adequate internal controls will be in place to ensure the security of all undeposited funds.

e. Collections totaling less than \$5,000 may be accumulated and deposited when the total reaches \$5,000. However, deposits will be made by Thursday of each week, regardless of the amount accumulated.

f. Generally, deposits are limited to one per day per deposit site. However, when beneficial to the Government, multiple daily deposits may be made.

4.3.2 OTCnet. It is NASA policy that NSSC shall deposit all checks through the Treasury's OTCnet process with the exception of checks drawn on non-U.S. banks or for non-U.S. funds. Those checks

will be manually deposited at the local commercial bank. The mailing of deposits (versus hand-carrying) to FRBs or commercial banks may be done only when specifically authorized in writing by Treasury BFS. In these cases, the deposit timeframe requirements apply to the mailing of deposits.

4.3.3 Loss of Checks Prior to Deposit. When a check submitted to NSSC to cover an indebtedness (Accounts Receivable) is lost, destroyed or mutilated, NSSC will immediately request the drawer to stop payment on the original check and to submit or replace the check without the execution of an agreement of indemnity (see 1 TFM 5-5030). If a replacement check cannot be obtained without giving an agreement of indemnity, NSSC will transmit the case promptly to the following address:

Division of Financial Management
Bureau of the Fiscal Service
Department of the Treasury
Room A5-B
P.O. Box 1328
Parkersburg, WV 26101-1328

Telephone (304) 480-8200

4.3.4 The Government Losses in Shipment Act, as amended (40 U.S.C. §§ 721-726), covers the shipment of deposits prepared and made per the Act's prescribed regulations. Therefore, the Centers and NSSC shall not insure such remittances.

4.3.5 Reporting Large Deposits. NASA shall report daily aggregate deposits (excluding Treasury checks) of \$50 million or more to Treasury BFS's Cash Forecasting Division. See TFM, Volume 1, Part 6, Chapter 8500, paragraph 8535.10, for instructions.

4.3.6 Requirements for the Deposit Ticket. Collected funds requiring deposit are received in the form of cash or paper check. NSSC shall prepare deposits according to TFM requirements and this chapter for electronic generation of the SF 215, Deposit Ticket.

4.3.7 Should Centers or NSSC detect counterfeit currency, the Secret Service should be notified immediately.

Chapter 5 Delinquent Debt

5.1 General

5.1.1 This section applies to public debt. Delinquent intragovernmental balances should be processed in accordance with TFM Volume I, Part 2, Section 4706.15b Dispute Resolution of Intragovernmental Transaction Differences.

5.1.2 NASA shall take aggressive action, with effective follow-up, to collect all claims of the United States for monies or property arising out of NASA activities, and to cooperate with other Federal agencies, in debt collection activities. Details for NASA collections are codified in 14 CFR pt. 1261.4.

5.2 Identifying Delinquent Debts

5.2.1 Identifying Delinquency. A public debt becomes delinquent when not paid by the date specified in the initial written notification or applicable contractual agreement (unless other satisfactory payment arrangements have been made by that date) or if, at any time thereafter, the debtor fails to satisfy obligations under a payment agreement. A debt is not delinquent if the debtor has entered into a repayment agreement and all payments are current in accordance with the new agreement. Otherwise, the date of delinquency is the payment due date.

5.2.2 Contract overpayments, refunds receivable, fines, penalties, and other debts are delinquent when the debtor does not repay or resolve the debt within 30 days after the day notification of the debt is mailed to the debtor (within 30 days of the payment due date for contractual agreements).

5.2.3 The NSSC shall use NASA's accounting system to support the identification of delinquent debts by:

- a. Recording all financial data related to the debts accurately within the accounting month the data becomes available.
- b. Tracking the status of requests for compromise, suspension, waiver, termination, write-off, or close-out of debts.

5.2.4 Contact with the debtor. NSSC shall promptly respond to any communication from a debtor within 30 days, whenever feasible, and will advise debtors who dispute the debt to furnish available evidence to support their contentions.

5.3 Demand Letters

5.3.1 If delinquency is not resolved after the initial contact with the debtor, NSSC shall notify the debtor of the debt's delinquent status through a demand letter. Appropriate written demands will be made promptly to a debtor of the United States in terms that inform the debtor of the consequences of failure to cooperate with NASA to resolve the debt.

5.3.2 Initial demand letter. The first demand letter will be issued no later than 30 days after delinquency and at least 60 days prior to referring a delinquent debt to Treasury for cross-servicing. The initial demand letter will repeat the statement in the initial bill describing the follow-on actions that NASA will take to collect the debt if it is not paid within 30 days, as well as the actions that

NASA will take, such as referral to Treasury, after the debt is over 120 days delinquent. Among other requirements, demand letters should state the current balance of the debt, that the debt is overdue, the basis of indebtedness, any interest, administrative charges, and penalties, and the name, address, and telephone number where payment and questions can be sent, and the debtor's response to the initial contact. Refer to Treasury BFS Managing Federal Receivables Guide, Appendix 8, Demand Letter Checklist for additional information that will be provided to the debtor.

5.3.2.1 Delivery of demand letter. NSSC shall ensure that the demand letter is sent or delivered on the same day it is dated.

5.3.3 Second Demand Letter. If a response is not received within 30 days of the initial demand letter, a second demand letter may be sent that requests immediate payment. The second demand letter will also remind the debtor of the actions and timeframes that were identified in the initial demand letter. Except in rare circumstances, NASA should not send more than two demand letters, no more than 30-days apart. The second demand letter will inform the debtor that the account is delinquent and will be referred to Treasury for collection or DOJ for further action, unless:

- a. Full payment of the entire outstanding balance is received within 30 calendar days of the date of the notice.
- b. The debtor provides written disclaimer information within 30 calendar days of the date of the notice.

5.3.4 NASA should terminate the process of sending demand letters at any time that it determines that the letters are no longer serving a useful purpose. All demand letters should contain the information required by the Treasury BFS Managing Federal Receivables Guide, Appendix 8, Demand Letter Checklist.

5.3.5 Bankruptcy. Centers should seek legal advice from the local supporting legal counsel if they believe they have claims or offsets that may survive the discharge of a debtor through bankruptcy. Generally, when a debtor files for bankruptcy protection, NASA is prohibited from pursuing further collection action unless funds are available in the debtor's estate to pay some of the debtor's debts. Offset and recoupment rights may survive the discharge of the debtor in bankruptcy and, under some circumstances, claims also may survive the discharge. For example, if NASA is a known creditor of a debtor, a NASA claim may survive a discharge if NASA did not receive formal notice of the proceedings. Therefore, NASA should file a Proof of Claim form when allowed to do so by the bankruptcy court. The appropriate form may be found at www.uscourts.gov/bankform.

5.4 Determining Interest, Penalty and Administrative Charge Amounts

5.4.1 Debtors are expected to adhere to payment terms stated in a contract, debt instrument, or notice of indebtedness (demand letter). Interest, administrative charges, and penalties will be assessed on all overdue payments, unless a waiver is granted or except as otherwise provided in a specific statute. These charges will continue to accrue until the debt is paid in full or otherwise resolved through compromise, termination, or waiver of the charges.

5.4.2 Interest Penalties. NASA shall charge interest on debts as follows:

5.4.2.1 Interest will accrue from the date on which a notice of the debt and the interest requirements is first delivered to the debtor, using the most current address available. If a bill is mailed before the debt is actually due, it should include the required notification, and interest may not start to accrue before the debt is actually owed.

5.4.2.2 Unless otherwise established in a contract, repayment agreement, or by statute, the rate of interest charged will be the rate established annually by the Department of Treasury in accordance with 31 U.S.C. § 3717. Pursuant to 31 U.S.C. § 3717, NASA may charge a higher rate of interest if it reasonably determines that a higher rate is necessary to protect the rights of the United States. NASA should document the reason for its determination that the higher rate is necessary.

5.4.2.3 The minimum annual rate of interest to be charged is established by the Treasury as an average of the current value of funds to Treasury and is published in the Federal Register each year by October 31st, with an effective date of January 1st. If revised, the new rate will be published in a Treasury's TFM Bulletin on or around the end of the first month of the calendar quarter, and is to be applied to overdue payments arising during the succeeding calendar quarter. The current rate may be obtained from Treasury Bureau of Fiscal Service website.

5.4.2.4 The rate of interest, as initially charged, will remain fixed for the duration of the indebtedness. When a debtor defaults on a repayment agreement and seeks to enter into a new agreement, NASA may require payment of interest at a new rate that reflects the current value of funds to the Treasury at the time the new agreement is executed. Interest should not be compounded; that is, interest will not be charged on interest, penalties, or administrative charges required by this section. If, however, a debtor defaults on a previous repayment agreement, charges that accrued but were not collected under the defaulted agreement will be added to the principal under the new repayment agreement.

5.4.3 Penalty Charges. A penalty charge, not to exceed 6 percent per annum, will be assessed on any portion of the debt more than 90 days delinquent (31 U.S.C. § 3717(e)(2)). Accruing from the date of delinquency, the penalty charge is assessed on any portion of a debt that is outstanding for more than 90 days, including interest and administrative charges. Penalty payments should be assessed unless a statute, regulation, required by a statute, loan agreement, or contract prohibits charging interest, or assessing charges, or explicitly fixes the interest rate or charges. Penalty payments should be reported to the IRS to ensure debtors are prevented from using such penalty payments as a business expense, thereby reducing their tax liability. Amounts received as partial or installment payments will be applied first to accrued penalties, then to accrued administrative charges, then to accrued interest, and finally to the principal, unless otherwise provided in a statute or regulation.

5.4.4 Administrative Charges. Administrative charges should cover the additional costs incurred in processing and handling delinquent debts such as staffing and resource costs, and other costs associated with using various collection tools to enforce recovery, including, but not limited to, the costs of obtaining a credit report and collection fees charged by BFS, DOJ and private collection agencies. The amount charged should be based on actual costs incurred or on cost analysis, which established average actual additional costs. NSSC shall determine the average cost of collecting delinquent accounts by identifying the direct and indirect costs incurred in collecting debts from the time they become delinquent until the time collections are made or agency collection efforts cease. For those accounts that are successfully litigated, DOJ post-judgment cost should be determined separately and added to the average cost of collection previously determined. NSSC costs incurred prior to an account becoming delinquent should not be included in the fee determination since there is no statutory authority to recover these costs.

5.4.5 Late Charge Accumulation. NASA shall continue assessing the interest, penalty, and administrative charges at the rates established until final payment is received, unless debt collection activity is suspended or terminated, the debt is compromised, the late charges are waived, or the late charges are altered as a result of a court judgment.

5.4.6 Waiver for Late Charges. NSSC shall assess late charges, unless a waiver has been received

from Treasury. Any request for such waiver will be sent to the Agency OCFO Director, Financial Management Division, NASA Headquarters, for submission to Treasury.

5.4.7 Use of a Consumer Reporting Agency. The Debt Collection Improvement Act (DCIA) requires NASA to develop and implement procedures for reporting delinquent debts to credit bureaus. The terms and conditions for this are found in 31 CFR §901.4.

5.5 Installment Payments.

5.5.1 Whenever feasible, and except as otherwise provided by law, debts owed to NASA together with interest, penalties, and administrative costs as required, should be collected in full in one lump sum. This is true whether the debt is being collected by administrative offset or by another method, including voluntary payment. However, if the debtor is financially unable to pay the indebtedness in one lump sum, payment may be accepted in regular installments. The NASA Center obtains a financial statement from debtors who represent they are unable to pay in one lump sum. In order to independently verify such representations, the Center sends the financial statements to the local supporting legal counsel for validation, (31 CFR § 901.8.a). The installment agreement will be a legally enforceable written agreement which specifies all the terms and conditions of the arrangement, including those governing the assessment of financing interest and late charges and which also contains a provision accelerating the debt in the event the debtor defaults.

5.5.2 The size and frequency of installment payments should bear a reasonable relation to the size of the debt and debtor's ability to pay. The installment agreement should provide for as large an initial lump sum payment as the debtor can afford. If possible, the installment payments should be sufficient in size and frequency to liquidate NASA's claim in three years or less (14 CFR pt. 1261.411).

5.5.3 If the debtor owes more than one debt and designates how a voluntary installment payment is to be applied to those debts, that designation will be followed. If the debtor does not designate the application of the payment, the payment should be applied to the various debts in accordance with the best interests of the United States, as determined by the facts and circumstances of the particular case, paying special attention to applicable statutes of limitations (14 CFR pt. 1261.411).

5.6 NASA Internal Administrative Offset

5.6.1 Written and Oral Hearings. Prior to initiating any collection tools to collect the debt (i.e. cross-servicing, offset, and garnishment, etc.) the NSSC shall affirm proper written notice was given to the debtor. Moreover, NSSC will coordinate with the local supporting legal counsel to determine if NASA is required to afford a debtor a hearing or review within NASA and to assure all rights of the debtor and legal requirements are honored. In those cases where an oral hearing is not required, NASA will nevertheless accord the debtor a paper hearing, that is, NASA will make its determination on the request for waiver or reconsideration based upon a review of the written record.

5.6.2 Administrative Offset (Internal Offset). Administrative offset occurs when NASA withholds or intercepts money due to, or held by the government for, a person who owes money to NASA. The NSSC should, unless specifically prohibited, offset future NASA payments to the delinquent debtors, until the debt has been paid in full. 14 CFR pt.1261.5 sets the requirements for administrative offset of claims. NSSC shall determine whether collection by administrative offset is feasible and legal. The determination will be made on a case-by-case basis, in the exercise of sound discretion. NSSC should consider not only whether administrative offset can be accomplished, both

practically and legally, but also whether offset is best-suited to further and protect the entire Government's interests. In appropriate circumstances, NSSC may give due consideration to the debtor's financial condition and is not required to use offset in every instance in which there is an available source of funds. NSSC may also consider whether offset would tend to substantially interfere with or defeat the purposes of the program authorizing the payments against which offset is contemplated.

5.6.3 Salary Offset for NASA Employees. If a debt owed by a NASA employee becomes delinquent, the initial demand letter will include a statement that if payment is not received within 30 days, NASA will take action to collect the debt by offset of the employee's salary. Offsets of NASA salary payments are limited to 15 percent of a debtor's disposable pay. In such a situation, NSSC shall comply with the requirements of 14 CFR pt.1261.603.

5.7 Referring Public Debt to Treasury

5.7.1 The DCIA of 1996 authorized Treasury to provide delinquent debt collection services for all Government agencies in order to minimize the Government's debt collection costs. NSSC shall make maximum use of the Cross-Servicing Debt Collection Program offered by Treasury. Under this program, the Treasury makes use of all available collection options to collect debts on behalf of Federal agencies.

a. Greater than 120 days. The Data Accountability and Transparency Act (DATA Act) amends 31 U.S.C. § 3716(c)(6) and now requires NASA to refer delinquent, nontax debts that are over 120 days to Treasury for administrative offset - 60 days earlier than the previous requirement set forth by the DCIA of 1996.

b. Less than 120 days. Debt may be referred to Treasury earlier than 120 days if a second demand letter has been sent to the debtor at least 60 days prior to the referral, and the debtor does not respond within 30 days of the date of the second demand letter.

5.7.2 Before closing-out a delinquent debt NASA shall take all appropriate steps to collect the debt in accordance with 31 U.S.C. § 3711(g), including, administrative offset, tax refund offset, Federal salary offset, referral to Treasury, Treasury-designated debt collection centers or private collection contractors, credit bureau reporting, wage garnishment, litigation, and foreclosure.

5.7.3 NASA's policy is to refer public delinquent debts of \$25 or more to Treasury's BFS when the debt is delinquent more than 120 days. The NSSC shall promptly refer delinquent non-Federal debts, other than reimbursable agreement debts, to Treasury BFS when required, or earlier if appropriate, to enhance the probability of collection. Prior to forwarding non-Federal reimbursable debts the Treasury BFS for collection NSSC will consult the applicable Center. After debts are referred to Treasury, BFS will take appropriate action to enforce collections in accordance with applicable statutes and NSSC should terminate collection activities on referred accounts. A debt is eligible for referral to BFS for cross-servicing if it meets all of the following conditions. The debt is:

- a. Past due.
- b. Legally enforceable.
- c. Owed by an individual or entity (including a state or local government) other than a Federal agency.
- d. \$25 or more (including interest, penalties and administrative costs).

5.7.4 Mandatory Actions. At least 60 days before a debt can be submitted to Treasury BFS, NASA shall send the debtor at least one demand letter explaining the debtor's rights and notification that the debt will be referred to Treasury for collection. Additional demand letter information is found in the Treasury BFS Managing Federal Receivables, Appendix 8. Therefore, NASA will send the final demand letter to the debtor no later than 120 days after the date of delinquency in order to be eligible for cross-servicing.

5.7.5 Debts less than \$100. Refer to Treasury BFS Debt Management Service Cross-Servicing Implementation Guide for requirements when referring debt less than \$100.

5.7.6 Exceptions from Mandatory Referral of Delinquent Debt to Treasury for Servicing. NASA is not required to refer a debt to BFS for cross-servicing if the debt is:

- a. Not past due or legally enforceable.
- b. Owed by a debtor who has died.
- c. Owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding.
- d. Owed by a Federal agency.
- e. The subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed.
- f. Less than \$25 (including interest, penalties, and administrative costs).
- g. Delinquent for 120 days or less (however, NASA may send such debts to BFS if they are otherwise eligible for referral).
- h. In litigation, that is, the debt has either been referred to DOJ for litigation, or is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy and post-judgment matters.
- i. Scheduled for sale within one year under an asset sales program approved by OMB.
- j. At a PCA with the approval of BFS.
- k. At a Treasury-designated debt collection center.
- l. Expected to be collected from payments issued to the debtor by NASA within three years of the date of delinquency (commonly referred to as "internal offset").
- m. Less than \$100 and NASA is unable to obtain the debtor's TIN.
- n. Otherwise exempt from the statutory referral requirement by law or official action of Treasury.

5.7.7 Additionally, in accordance with instructions for the TROR, debts where collection efforts have been suspended because of circumstances that include, but are not limited to, the following are not eligible to be forwarded to Treasury for collection:

- a. Bankruptcy.
- b. Forbearance.
- c. In foreclosure, that is, the debt is secured by collateral that is being foreclosed, either through a court proceeding or non-judicially.

d. Formal appeals.

5.8 Other available collection methods.

5.8.1 The following collection methods are available to Federal agencies; however, it is NASA's policy to make use of the Treasury's cross-servicing program for debt collection. If NSSC believes that use of one of the following methods is appropriate, NSSC shall contact the Agency OCFO Financial Management Division for prior approval.

5.8.1.1 Use of a Collection Agency. NASA has authority to turn over collection of debt to a PCA. When possible, NASA should refer a public delinquent debt to Treasury BFS for referral to an eligible PCA. However, if NASA contracts directly with a PCA, the terms and conditions in which this authority can be used are found in 31 CFR pt.901.5.

5.8.1.2 Administrative Wage Garnishment. Garnishment is a process whereby NASA issues a wage garnishment order to a delinquent debtor's non-Federal employer. Notwithstanding any provision of state law, the head of an executive, judicial, or legislative agency that administers a program that gives rise to a delinquent non-tax debt owed to the United States by an individual may, in accordance with 31 U.S.C. § 3720 D, garnish the disposable pay of the individual to collect the amount owed if the individual is not currently making required repayment in accordance with any agreement between the agency head and the individual. NASA officials shall coordinate with the local supporting legal counsel to determine the legality of garnishment. Generally, NASA may refer delinquent debt to Treasury BFS to initiate garnishment or NASA may implement garnishment directly if the appropriate procedures are in place as described in the Treasury BFS Managing Federal Receivables Guide, Chapter 6.

5.8.1.3 Suspension or Revocation of Eligibility for loans, licenses, permits, or privileges; Liquidation of Collateral. In seeking the collection of statutory penalties, forfeitures, or debts provided for as an enforcement aid or for compelling compliance, NASA will give serious consideration to the suspension or revocation of licenses or other privileges for any inexcusable, prolonged, or repeated failure of a debtor to pay such a claim. (31 CFR pt. 901.6-7)

5.9 Referral to Department of Justice

5.9.1 In consultation with the local supporting legal counsel, Centers shall:

a. Promptly refer delinquent debts to the Department of Justice (DOJ) as soon as there is evidence that the debt is collectible and that full or partial recovery of the debt will be best achieved through litigation.

b. Send claims to DOJ when all efforts and administrative processes are completed and the debt remains delinquent and legally enforceable.

c. Set up a system to ensure that each CCLR prepared by the Center includes:

(1) Name of debtor, address, Tax Identification Number (TIN), current place of employment, and salary of debtor, all of which has been verified within six months of the referral (e.g., by financial statement or credit report).

(2) Evidence that the debtor has ability to pay a judgment (employment data, property, other income), or the potential to repay and a judgment is needed to protect the Government's interest (an exception is the referral of cases solely to obtain clear title to a property that has no possibility for repayment).

(3) A certificate of indebtedness.

(4) A credit report, for each debtor, that is less than six months old at the time of referral.

(5) Copies, not originals, of the relevant account information.

d. In consultation with the DOJ, establish a system to account for cases referred to and returned from DOJ. The TIN will be the common identifier for each debt in referring cases to DOJ. DOJ will use the TIN number for case tracking and reconciliation. Periodic follow-ups should be made with DOJ to ascertain the status of litigation.

e. Participate in the DOJ private attorney program by identifying and then accelerating case referrals through DOJ's Central Intake Facility to those districts where the U.S. Attorney offices contract with private law firms. Upon receipt of the CCLR, a U.S. Attorney is to file suit within 45 days unless the debtor has come forward with a voluntary payment. Collection efforts should cease once a case has been referred DOJ. The appropriate U.S. Attorney, or DOJ attorney, will be notified of exceptions and permit continued collection activity by an agency. "Continued collection activity" does not include agency attorneys appointed Special Assistant United States Attorneys. The DOJ will notify the referring Center within 60 days of the closing of a case.

f. Stop the use of any collection activities and refrain from further contact with the debtor once a claim has been referred to DOJ, unless the DOJ agrees to allow the debtor(s) to remain in Treasury Offset Program or offset while the DOJ pursues other legal remedies. Centers shall notify NSSC of all decisions to refer debt to DOJ and keep NSSC informed of the status of all debts referred to DOJ.

g. Centers shall promptly notify the DOJ of any payments received on a debtor's account after referral of the claim for litigation.

5.9.2 In consultation with the local supporting legal counsel, if, prior to referral to DOJ, a Center determines that a debt is plainly erroneous or clearly without legal merit, the Center may terminate collection activity regardless of the amount involved without obtaining DOJ concurrence.

5.9.3 In consultation with the local supporting legal counsel, if the Center believes that suspension, compromise, or termination of any debt greater than \$100,000 may be appropriate, the Center shall refer the debt to the Civil Division or other appropriate litigating division in DOJ, using the CCLR. The referral should specify the reasons for NASA's recommendation.

5.9.4 Debts may be referred to DOJ in accordance with the provisions of 31 CFR pt. 904, OMB Circular No. A-129, and the authorities cited in 14 CFR pt. 1261.402. In consultation with NASA Office of General Counsel, cases of fraud may be sent to DOJ at any time. Debts referred to Treasury for collection will be referred to DOJ by Treasury. DOJ will only accept debt that is at least \$2,500. The Short Form CCLR may be used for referring claims between \$2,500 and \$5,000, including interest, penalties, and administrative costs. Centers have the option of referring delinquent Federal employee accounts to DOJ to obtain a judgment in accordance with Section 124 of Public Law 97-276. This provision allows DOJ to collect 25 percent of the employee's salary after a judgment is obtained, as compared to the 15 percent limit under the salary off-set authority.

Chapter 6 Waiving, Suspension, Compromise and Termination of Debt

6.1 Compromise of Debt

6.1.1 NASA officials may consider compromising a debt when they agree to accept less than the full amount of the outstanding debt in full satisfaction of the entire amount.

6.1.2 NASA may compromise a debt if they cannot collect the full amount due to the following:

- a. The debtor is unable to pay the full amount in a reasonable time, as verified through credit reports or other financial information.
- b. NASA is unable to collect the debt in full within a reasonable time by enforced collection proceedings.
- c. The cost of collecting the debt does not justify the enforced collection of the full amount.
- d. There is significant doubt concerning NASA's ability to prove its case in court.

6.1.3 NASA shall verify the debtor's claim of inability to fully pay his/her claim by using a credit report and other financial information. A compromise accepted under this section should be for an amount that bears a reasonable relation to the amount that can be recovered by enforced collection procedures, with regard to the exemptions available to the debtor and the time that collection will take.

6.1.4 Written Agreements. Whenever feasible, compromise agreements should be in writing and signed by the debtor and NASA. NASA should discourage the use of installment agreements to pay compromises. If NASA chooses to accept an installment agreement for a compromise, the agreement will provide that, in the event of default, the full amount of the debt will be reinstated.

6.1.5 Request and approval of compromise will be tracked in NASA's core financial system.

6.1.6 Other factors to consider when considering compromise are the precedent collecting or failure to collect would have on other cases, and the cost of collection.

6.1.7 Accounting for Compromise. Once NASA accepts a compromise for a debt and receives payment NASA shall write-off and close-out the debt because further collection activity is prohibited.

6.1.8 Release of Indebtedness. Upon receipt of full payment of a claim or the amount in compromise of a claim, NASA will prepare and execute, on behalf of the United States, an appropriate release, which should include the provision that the claim release will be void if procured by fraud, misrepresentation, the presentation of a false claim, or mutual mistake of fact.

6.2 Suspension of Collection Activity

6.2.1 NASA may suspend collection on a debt if factors exist that lead NASA to believe collection activity may be resumed at a future date. NASA may suspend collection activity on a debt when:

- a. NASA cannot locate the debtor.

b. The debtor's financial condition is expected to improve.

c. The debtor has requested a waiver or review of the debt.

6.2.2 Based on the current financial condition of the debtor, NASA may suspend collection if the debtor's financial condition is expected to improve or future prospects justify retention of the debt for periodic review and collection activity and any of the following conditions are met:

a. The applicable statute of limitations has not expired.

b. Future collection can be effected by administrative offset with due regard to the 10-year limitation for administrative offset prescribed by 31 U.S.C. § 3716(e)(1).

c. The debtor agrees to pay interest on the amount of the debt on which the collection will be suspended, and such suspension is likely to enhance the debtor's ability to pay the full amount of the principal of the debt with interest at a later date.

6.2.3 NASA shall suspend collection activity during the time required for consideration of the debtor's request for waiver or administrative review of the debt if the statute under which the request is sought prohibits the agency from collecting the debt during that time. In accordance with Section 5.3.5 of this NPR, when NASA learns that a bankruptcy petition has been filed with respect to the debtor, in most cases the collection activity on a debt will be suspended.

6.2.4 Accounting for Suspensions. Once NASA decides to suspend a debt it should be placed in CNC status until a determination is made to either continue collections at a future date or to closeout the debt permanently.

6.3 Termination of Collection Activity

6.3.1 Before terminating collection activity, NASA should have pursued all appropriate means of collection and determined, based upon the results of the collection activity, that the debt is uncollectible.

6.3.2 Generally, NASA's decision to terminate collection activity coincides with NASA's decision to write-off the receivable. For example, when NASA refers debts to Treasury BFS for cross-servicing NASA should write-off the debt, terminate NASA's collection activity, and classify the debt as CNC, while Treasury continues to attempt collection. The Agency, OCFO, Director, Financial Management Division would need to expressly approve requests for NASA to write off the debt, but continue collection efforts at the agency-level.

6.3.3 Termination of collection activity ceases active collection of the debt at the agency-level. The termination of collection activity does not preclude the agency from retaining a record of the account for purposes of:

a. Selling the debt, if the Secretary of the Treasury determines that such sale is in the best interests of the United States.

b. Pursuing collection at a subsequent date in the event there is a change in the debtor's status or a new collection tool becomes available.

c. Offsetting against future income or assets not available at the time of termination of collection activity.

d. Screening future applicants for prior indebtedness.

6.3.4 NASA may terminate collection activity when:

- a. NASA is unable to collect any substantial amount through its own efforts or through the efforts of others.
- b. NASA is unable to locate the debtor.
- c. It is no longer cost effective to pursue debt collection.
- d. The debt is legally without merit or enforcement or the debt is barred by any applicable statute of limitations.
- e. The debt cannot be substantiated because of a lack of evidence or witnesses to validate a claim (such debt cannot be referred to IRS as taxable income).
- f. The debt against the debtor has been discharged in bankruptcy and no further prospects for worthwhile recovery are available.

6.3.5 Accounting for Termination of Collections. Once NASA decides to terminate collections on a debt, they will place the debt in CNC status until a decision is made to close-out the debt.

6.4 Close Out

6.4.1 Closeout of a debt may occur concurrently with writeoff, but NASA shall terminate collection action on a debt before closing it out. Close-out of indebtedness is distinct from terminating collection activity and closeout will be reported to the IRS. When NASA closesout a debt in full or in part, all further collection action is prohibited. Therefore, NASA should make a determination that collection action will not be warranted again in the future before closingout a debt.

6.4.2 NASA shall closeout a debt when any of the following conditions are met:

- a. No assets that can be liquidated to pay the debt can be found.
- b. The Federal statute of limitations has expired for litigation (6 years) and administrative offset (10 years) and the statutes of the State in which the debtor resides preclude further collection.
- c. The NSSC has been advised by Treasury BFS that all reasonable efforts to enforce collection have been exhausted and the balance of the debt should be closed out.
- d. A judgment has been obtained and the application of all collection techniques failed to produce full collection.
- e. A collection agency has been unable to collect the debt and has returned it with sufficient documentation to demonstrate the debt is uncollectible.

6.4.3 A closeout of debt under this section is final and conclusive unless obtained by fraud, misrepresentation, presenting a false claim, or mutual mistake of fact.

6.4.4 Reinstated Collection Action.

6.4.4.1 Collection action cannot be reinstituted if the debt has been officially closed-out with an IRS form.

6.4.4.2 Once collection action has been terminated collection should only be reinstituted if evidence subsequently obtained indicates that a debtor has the ability to repay a substantial portion of the debt (25 percent or more) and the statute of limitations has not yet expired.

6.4.5 Accounting for Close-Out. When NASA closes-out a debt it should be classified as "closed-out" in the accounting records and a 1099C should be submitted to the IRS.

6.5 Waiver of Claims for Erroneous Payment of Pay and Allowances, Travel, Transportation, and Relocation Expenses and Allowances.

6.5.1 NASA Centers and the NSSC shall aggressively pursue the collection of all delinquent debts. The authority granted in this section may only be used when the situation meets the criteria established in 5 U.S.C. § 5584(a) that reads, "The collection of which would be against equity and good conscience and not in the best interest of the United States." NASA NPD 9645.2 delegates authority for the waiver of claims resulting from erroneous payments of pay and allowances, travel, transportation, and relocation expenses and allowances made to or on behalf of NASA employees. The NPD identifies the officials authorized to grant waivers, the amounts they may approve as well as the offices that should review and coordinate on each proposed waiver. Additional guidance concerning claims for erroneous payment of pay and allowances, travel, transportation, and relocation expenses and allowances is found in NPR 9645.1.

6.6 Authority for NASA to Compromise, Suspend or Terminate Collection of Public Debt

6.6.1 NASA's authority to compromise, suspend, or terminate collection of public receivables with a principal balance not greater than \$100,000 is identified in 31 U.S.C. §3711, OMB Circular No. A-129, 31 CFR pt. 902.1, and NPR 9645.1. The following explains the authority required within NASA to compromise, suspend, or terminate collections following write-off:

- a. Debts less than \$100. Regardless of age (more or less than two-years old) debts whose outstanding balance, including interest, penalties, or administrative charges is \$100 or less and that have been substantially previously collected can be grouped for review and submitted to the Center Deputy CFO for approval to terminate collection on the debt. The review should include an analysis for each debt of the original debt amount, how much has been collected to-date, and the remaining balance. Such a review will be done periodically, but not less frequently than quarterly. In order to avoid continued collection efforts, including additional assessments of interest, the review and write-off of that debt should be accomplished monthly prior to month-end close. Although debts whose principal is \$100 or less are not individually significant, under no circumstances should internal controls be compromised by the write-off or reclassification of debt.
- b. Debts not greater than \$100,000. Regardless of age (more or less than two years old), delinquent debts meeting the conditions for suspension of termination of collection having principal amounts not greater than \$100,000 will be individually reviewed by the Center CFO. The Center CFO will forward the request to suspend, terminate, or close-out the debt to the Center Director for approval. The Agency OCFO Director, Financial Management Division shall be informed when these actions are approved.
- c. Debts greater than \$100,000. The authority to compromise, suspend, or terminate collection of debts having principal balance greater than \$100,000 rests solely with the DOJ. Requests to compromise, suspend or terminate collection efforts of accounts greater than \$100,000 should still be submitted to Agency Deputy Chief Financial Officer (DCFO) (Finance) for approval before the matter is forwarded to DOJ. Although the NASA, Agency Director, Financial Management Division has the authority approve the write-off of a debt greater than \$100,000, the authority to compromise,

suspend or terminate collection on the debt rests with the DOJ. The debt can be written-off without referral to DOJ, but the debt will remain in CNC status indicating that collection efforts are continuing.

6.6.2 If an offer to compromise a debt greater than \$100,000 is acceptable to NASA, or NASA believes that suspension or termination of a debt greater than \$100,000 is appropriate, NASA will refer the debt to the Civil Division or other appropriate litigating division in the DOJ using a CCLR. The referral should specify the reasons for NASA's recommendation. If, prior to referral to the DOJ, NASA determines that a debt is plainly erroneous or without legal merit, NASA may terminate collection activity regardless of the amount involved without obtaining DOJ concurrence.

6.6.3 Following consultation with the local supporting legal counsel for the particular Center, the compromise, termination, or suspension of debts not greater than \$100,000 exclusive of interest and related charges may be approved as follows:

- a. For NASA field Centers, the Center Director or a designee who reports directly to the Center Director.
- b. For Headquarters, the Associate Administrator for Mission Support or a designee who reports directly to the Associate Administrator for Management.
- c. Copies of designations, if any, issued pursuant to this authority will be sent to the Agency OCFO, Director Financial Management.

6.6.4 The authority identified in the preceding paragraph is qualified as follows:

- a. With respect to claims against contractors or grantees arising in connection with contracts or grants the approving official will consult with the contracting officer and the Center CFO of the Center concerned prior to issuing a determination.
- b. With respect to claims against commercial carriers for loss of or damage to NASA freight shipment, the approving official will consult with the cognizant transportation officer or the official who determined the amount of the claim, , and the Center CFO of the Center concerned prior to issuing a determination.
- c. With respect to claims against employees of NASA, incident to their employment other than the repayment of overpayments of erroneous payments of pay and allowances, travel, transportation, and related expenses, the approving official will consult with the personnel officer and the Center CFO of the Center concerned prior to issuing a determination.

6.6.5 Documentation. The NSSC shall maintain appropriate documentation to substantiate termination and closeout actions including evidence of the applicable reviews and approvals. This information will be reported on the TROR for the entire fiscal year during which the debt was written off. Documentation should also be maintained in the event the debtor pays NASA in the future.

6.6.6 Close-Out. Before discharging a delinquent debt, NASA shall take all appropriate steps to collect or discharge the debt in accordance with 31 U.S.C. § 3711 (g), including, , administrative offset, tax refund offset, Federal salary offset, referral to Treasury, Treasury-designated debt collection centers or private collection contractors, credit bureau reporting, wage garnishment, litigation, and foreclosure. Close-out is different from compromise, termination, or suspension of collection activity and is governed by the IRS code. When collection activity on a debt is compromised, suspended, or terminated, the debt remains delinquent and further collection action may be pursued at a later date. Therefore, NASA should determine that collection action is no longer warranted before closing out a debt. Before closing out the debt, NASA will terminate

collection action.

6.6.6.1 Approval Authority Required for Close-Out. Since closeout is a result of write-off, compromise, suspension, or termination, NASA should follow the approval authority for each of those respective sections before closing out a debt.

6.6.6.2 CNC debts will be continuously reviewed and, as required, reclassified and closed-out.

6.7 False Claims

At the request of the Agency DCFO, the Office of the Inspector General (OIG)

will, where practicable, conduct such investigations as may assist in the collection, compromise, or referral of claims of the United States, including investigations to determine the location and financial resources of the debtors. Any claim which may indicate fraud, presentation of a false claim, or misrepresentation on the part of the debtor or any other party having an interest in the claim, will be referred to the NASA OIG. After conducting an investigation, the IG will notify the official as to the findings and disposition of the claim. Claims with evidence of such wrongdoing will be referred to the DOJ. If the IG finds there is no indication of such wrongdoing, the IG will return the claim to the official from whom it was received for processing as prescribed in this Chapter.

6.8 IRS Form 1099-C, Cancellation of Debt, Reporting

6.8.1 Upon discharge of indebtedness, NASA shall annually report the discharge of the debt to the IRS and to the debtor. Relevant IRS guidance (particularly IRS Publication 1220) should be consulted each year for reporting requirements.

6.8.2 IRS Form 1099-C, Cancellation of Debt. The IRS recognizes amounts of closed-out debts as potential taxable income for debtors classified as individuals, partnerships, or sole proprietorships. When collection actions are terminated and the outstanding debt meets the minimum dollar threshold, currently \$600 or more, a Tax Form 1099-C, will be completed and forwarded to the customer and to the IRS after the calendar year end. Debts closed out will be recorded with debtor identifying information in an IRS referral log, accumulated for the calendar year, and forwarded to the IRS via IRS Form 1099-C.

6.8.3 The amount covered by an IRS 1099-C (including for determining whether the IRS dollar threshold is exceeded for producing an IRS Form 1099-C) could represent debt associated with multiple bills that have been closed-out and could represent uncollectible interest or penalties, as well as uncollectible principal. All filing requirements apply to each reporting entity as defined by its separate TIN, which may be a Social Security Number (SSN), Employer Identification Number (EIN), or Individual Taxpayer Identification Number (ITIN). For example, if a corporation with several branches or locations uses the same EIN, NASA shall aggregate the total volume of returns to be filed for that EIN and apply the filing requirements to each type of return accordingly.

6.8.4 IRS Form 1099-C Reporting Criteria. The NSSC shall consult IRS regulations to determine whether IRS Form 1099-C reporting is required. The following is a description of some of the general rules that apply to IRS Form 1099-C reporting:

- a. A debt will be reported after all collection efforts have been exhausted; there is no obligation to wait to report a debt until the statute of limitation has expired.
- b. Amounts greater than \$600 will be reported; amounts less than \$600 may be reported.

c. In addition to the principal amount owed, administrative costs and interest will be reported.

d. Amounts discharged in a Title 11 bankruptcy case are not to be reported; the bankruptcy will be documented in the files.

6.8.5 In cases other than Title 11 bankruptcy, a Center will not report amounts discharged to the extent that the debtor is insolvent (i.e., liabilities exceed assets). For example, if a debtor owes \$100 and his liabilities exceed his assets by \$25 (i.e., negative net worth of \$25) before the debt is discharged; \$75 will be reported upon the discharge. The files will document that a debtor is insolvent through an assets/liabilities analysis certified by the debtor as correct under penalties of perjury.

6.8.6 If the debt is compromised because (1) the debtor is unable to pay the debt within a reasonable period of time or refuses to pay the debt in full and the Government is unable to enforce collection in full within a reasonable time or (2) the cost of collecting the claim does not justify the enforced collection of the full amount, then the amount discharged in the compromise is reportable. If the debt is compromised because there is real doubt as to the Government's ability to prove its case in court for the full amount claimed, then the amount discharged in the compromise will not be reported.

6.8.7 The debtor will be provided a copy of Form 1099-C or a written statement of the impending 1099-C report by January 31 of the year following the determination that no further collection action will be taken on the debt. The 1099-C will be sent to the IRS by February 28 of that same year.

6.8.8 As this reporting requirement is not a statutory one, a Center will not report on

Form 1099-C if the reporting of such information is determined to be prohibited by a Federal law. For debts being cross-serviced by Treasury, Centers should indicate on the Treasury's BFS Agency Profile Form that Treasury should send Form 1099-C's to the IRS for debts that are closed out. Shortly after calendar year-end, Treasury will send each Center a list of debts returned as uncollectible. Centers will send Treasury confirmation of debts written off so

Form 1099-C's can be sent. Centers may reinstitute collection action on closed-out accounts if there is subsequent evidence that a debtor has new ability to pay.

6.8.9 The generation of the IRS Form 1099-C should be for the year in which the indebtedness was discharged (i.e., closed-out) and not when the receivable was written-off (which could have been earlier).

6.8.10 If the number of IRS Forms 1099-C for the year being reported exceed the threshold for electronic reporting as established by the IRS, electronic filing is required (IRS Publication 1220). The regulations under section 6011(e)(2)(A) of the Internal Revenue Code provide that 250 or more information returns will file such returns electronically/magnetically. The 250 or more requirement applies separately for each type of return and separately to each type of corrected return.

6.8.11 Amounts included in IRS Forms 1099-C should not include debts that are reversed because of corrections or if it was determined that debts did not have legal merit.

6.9 Reports

6.9.1 Report on Receivables Due from the Public. NSSC shall submit a completed TROR to the NASA OCFO at the end of each month. Requirements for the preparation of this report can be found in NPR 9310.1, Financial Management Reports - Accounting.

6.9.2 Reporting Receivables in the Audited Financial Statements. Accounts receivable are reported on the annual audited financial statements of the Agency. Public and intragovernmental receivables are reported separately. Receivable amounts are identified on the Balance Sheet and information concerning the composition and aging of receivables is disclosed in the Notes to the Financial Statements.

6.9.2.1 Reconciliation of Financial Statement Balances with Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS). Public accounts receivable balances reported on the annual audited financial statements will be reconciled with the GTAS accounts receivable from the public balances (attribute non-Federal).

6.9.2.2 Reconciliation of Public Receivables. Accounts receivable balances due from the public reported on the annual audited financial statements will be reconciled with receivables reported on the TROR.

6.9.2.3 Intragovernmental Eliminations. The consolidated annual audited financial statements eliminate intragovernmental accounts receivable balances. Accounts receivable balances will be eliminated against the trading partner's accounts payable balances. NASA Centers will include the trading partner identity on all reimbursable agreements with other Federal Agencies, as well as any other receivable or payable involving another Federal Agency. With identification of partner codes on each receivable transaction, elimination of intragovernmental accounts receivable against applicable accounts payable can be accomplished accurately and efficiently.

6.10 Quality Assurance

6.10.1 Continuous Monitoring Controls Performed by Centers. The CMP contains periodic monitoring and reporting requirements for Accounts Receivable.

6.10.2 Unsupportable Receivables. Receivables should be reviewed for supportability and validity. . If a receivable is found to be unsupportable, that receivable will be removed from the accounting records within ten workdays of its identification as erroneous, invalid, or unsupportable.

6.10.3 Receivables Referred to DOJ. Exempt from annual review are public receivables under review by the DOJ, and debt in the process of being collected as required by the Federal Acquisition Regulation, Part 32.6, Contract Debt. However, such exempt debt will be aggressively managed and monitored for status of collection by the responsible accounting office.

Appendix A. Definitions

Accounts Receivable (Account Number 131000). Accounts receivable are the receivables or amounts due from others when the right to receive funds accrues. Receivables include, but are not limited to, monies due for indebtedness, work performed for other parties, overpayments to vendors or to employees, dishonored checks, interest, fees, claims, damages, or any other event resulting in a debt owed to NASA.

Administrative Charges for Delinquent Debt. Administrative charges for delinquent debt represent the additional costs incurred in processing and handling delinquent debts. The amount charged is based on actual costs incurred or on cost analyses, which established average actual additional costs.

Administrative Offset (as defined in 31 U.S.C. § 3701(a)(1)). Administrative Offset is the process of withholding funds payable by the United States (including funds payable by the United States on behalf of a state government) to, or held by the United States for, a person to satisfy a claim. The payee may be a natural person or persons, profit or non-profit corporation, partnership, association, trust, estate, consortium, or other entity that is capable of owing a debt to the United States Government except that agencies of the United States or of any state or local government will be excluded.

Allowance for Loss on Accounts Receivable (Account Number 131900). Allowance for Loss on Accounts Receivable represents the estimated amount of uncollectible accounts receivable from the public so that receivables can be reported at their net realizable value, (i.e., net an estimate of receivables reasonably likely to become uncollectible). Increase the account by the amount estimated to be uncollectible. Decrease the account by the actual amount subsequently written-off. The amount should consider outstanding advances. The normal balance for this account is a credit.

Allowance for Loss on Interest Receivable (Account Number 134900). The Allowance for Loss on Interest Receivable represents the estimated amount of uncollectible Interest Receivables so that Interest Receivables can be reported at their net realizable value. The process for determining an allowance for uncollectible amounts will be based on an historical analysis of interest receivables that have been determined to be uncollectible. Increase the account by the amount estimated to be uncollectible. Decrease the account by the actual amount subsequently written-off. The normal balance for this account is a credit.

Allowance for Loss on Penalties, Fines, and Administrative Fees Receivable (Account Number 136900). This represents the estimated amount of uncollectible Penalties, Fines, and Administrative Fees Receivable so that Penalties, Fines, and Administrative Fees Receivable can be reported at their net realizable value. The process for determining an allowance for uncollectible amounts will be based on an historical analysis of Penalties, Fines, and Administrative Fees Receivable that have been determined to be uncollectible. Increase the account by the amount estimated to be uncollectible. Decrease the account by the actual amount subsequently written-off. The normal balance for this account is a credit.

Close-out. Close-out (also known as Discharge) occurs when NASA decides to stop all current and potential future efforts to collect on a debt. The amount of the debt is reported to the IRS as income to the debtor on Form 1099-C, Cancellation of Debt. Close out may occur concurrently with the writeoff of an account, or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. If collection efforts are closed out, collections on the debt will be terminated first.

Collection Actions. Collection actions include issuance of demand letters and referral to debt

collection entities such as the Department of the Treasury.

Collection Mechanism. A collection mechanism is a tool or system by which monies owed to NASA are transferred or credited to NASA from the Public or another agency.

Currently Not Collectible (CNC). Debts that have been written-off but where the Agency intends to continue cost effective debt collection action.

Date of Delinquency. The date of delinquency is the payment due date for an installment payment and the date of mailing of notice for an administrative debt.

Debt Compromise. A debt compromise is an agreement between the debtor and NASA that settles the debtor's liability for less than the full amount of the debt.

Debtor. A debtor is any person, organization, or entity, other than another Federal agency that owes an amount of money to NASA.

Delinquent Debt. Delinquent debt is any debt not paid by the date specified in the initial written notification or applicable contractual agreement, (including a post-delinquency payment agreement) unless other payment arrangements have been made.

Delinquent Receivables. Delinquent accounts receivable are receivables that have not been paid by the date specified in the initial written demand for payment or applicable agreement unless other payment arrangements have been made. Receivables which are delinquent are aged from the payment due date. If a payment "grace" period is provided and expires without payment, then the receivable becomes delinquent from the original payment due date.

Demand Letter. A demand letter is a written notification sent to a debtor, when the initial billing is not paid within 30 days, requiring the debtor to make payment. The demand letter informs the debtor of both the consequences of failure to liquidate the debt, and the due process provisions that are applicable to the debt.

IPAC System. The IPAC system is an automated system used to electronically bill and collect for services rendered and supplies delivered to other Federal Agencies. The IPAC system establishes a standardized interagency billing and adjustment procedure via a telecommunication network. Authorized personnel use the IPAC system for billing and collecting from other government agencies. IPAC is designed to preclude the need for agencies to request check payments which create disbursement and collection float costs.

Interest Charges for Delinquent Debt. Interest charges are applied to delinquent debts to compensate the Government for the loss of the use of funds when the debt is not paid by the due date and accrues from the date of the delinquency.

Interest Receivable (Account Number 134000). Interest receivable is the amount owed representing accrued interest charges on delinquent accounts receivable and the normal interest that accrues on loans receivable. This also includes interest accrued on investment securities. The normal balance for this account is a debit.

Intragovernmental Receivables. Intragovernmental receivables are claims of a Federal entity against other Federal entities. The standard business rules that govern intragovernmental receivable billing and reconciliation are contained in NPR 9220.1, Journal Voucher Preparation and Approval and Intragovernmental Transactions

Non-Delinquent Receivables. Non-delinquent (or "current") receivables are receivables outstanding for 30 days or less or those not yet due under the contract or billing document pertaining to the receivable.

Non-Entity Receivables. As defined by SFFAS No. 1, nonentity receivables are amounts that NASA collects on behalf of the U.S. Government or other entities and which NASA is not authorized to spend. Nonentity receivables are reported separately from receivables available to NASA (entity receivables). Nonentity receivables include:

- a. Governmental receipts and collections arising from the sovereign and regulatory powers unique to the Federal Government.
- b. Receivables related to custodial amounts collected on behalf of other accounts (such as interest on delinquent receivables).
- c. Other receivables that NASA is not authorized to credit to its accounts (such as amounts deposited to Miscellaneous Receipts representing collections above full cost on reimbursable billings unless expressly permitted or amounts billed to recover depreciation).

Non-Federal Receivables. Non-Federal receivables are claims of NASA or an entity within the Federal Government against non-Federal entities. The term "non-Federal entities" encompasses public entities, domestic and foreign persons, and organizations outside the U.S. Government. Non-Federal receivables are also called public receivables.

Penalties, Fines and Administrative Fees Receivable (Account Number 1360). This is the amount owed representing penalties, fines, and administrative fees that have been assessed as a result of delinquent accounts receivable and loans receivable. The normal balance for this account is a debit.

Penalty Charges for Delinquent Debt. Penalty charges are applied to any portion of a debt that is outstanding for more than 90 days, including interest and administrative charges. Penalty charges discourage delinquencies and encourage early payment of the delinquent debt in full.

Reimbursements. Reimbursements are amounts earned and collected for goods or services furnished.

Revenue. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when an entity provides goods and services to the public or to another Federal entity for a price. Exchange revenue is also known as earned revenue. Nonexchange revenues come primarily from power of the U.S. Government to demand payments from the public, such as taxes, duties, fines, and penalties.

Suspended Debt Collection. Suspended debt collection is the term used to describe the status of a debt when active collection efforts are deferred for a period of time. Center should consider suspension only when evidence indicates that doing so will enhance the chances of collection. During a period of suspension, passive collection may continue when appropriate.

Termination. Termination of collection action means to cease active efforts to enforce recovery of a debt.

Write-off. Write-off is the process of reducing receivables in accounting records as a result of the determination that they are uncollectible. All write-offs will be made through allowance accounts for bad debts. Under no circumstances are debts to be written-off directly to expense. Write-off of debt does not automatically imply the termination of collection efforts. Those should be addressed independently. If a debt is written off, collection efforts could continue. If a determination is made to terminate collection efforts, the debt will be written-off. Write-offs should also be distinguished from reversals of receivables as a result of corrections or a determination that there is not a valid basis for the claim by NASA.

Appendix B. Acronyms

ALC	Agency Location Code
BFS	Bureau of the Fiscal Service
CCLR	Claims Collection Litigation Report
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMP	Continuous Monitoring Program
CNC	Currently Not Collectible
DATA ACT	The Data Accountability and Transparency Act
DCFO	Deputy, Chief Financial Officer
DCIA	Debt Collection Improvement Act
DOJ	Department of Justice
EFT	Electronic Funds Transfer
EIN	Employer Identification Number
FI	Financial Institutions
FRB	Federal Reserve Bank
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
IPAC	Intragovernmental Payment and Collection
IRS	Internal Revenue Service
ITG	Intragovernmental Transaction Guide
ITIN	Individual Taxpayer Identification Number
LWOP	Leave Without Pay
NASA	National Aeronautics and Space Administration
NETWORK	Treasury Automated Lockbox Network
NPD	NASA Procedural Directive
NPR	NASA Procedural Requirement
NSSC	NASA Shared Services Center
OCFO	Office of the Chief Financial Officer
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	Office of the Management Budget
OTCnet	Over the Channel Application
PCA	Private Collection Agency
SF	Standard Form
SFFAS	Statements of Federal Financial Accounting Standards
SSN	Social Security Number

TFM	Treasury Financial Manual
TIN	Taxpayer Identification Number
TROR	Treasury Report on Receivables
U.S.C.	United States Code
USSGL	United States Standard General Ledger

Appendix C. References

C.1. NASA Policy Directive (NPD) 9010.2, Financial Management.

C.2. NPR 1400.1F, NASA Directives and Charters Procedural Requirements.

C.3. NPR 1400.1K, Documentation and Promulgation of Internal NASA Requirements and Charters.

C.4. NPR 1400.2E, Publishing NASA Documents in the Federal Register and Responding to Regulatory Actions.

C.5. NASA Procedural Requirement (NPR) 9090.1A, Reimbursable Agreements.

C.6. NPR 9465.1, Claims for Erroneous Payment of Pay and Allowances, Travel and Transportation, Relocation Expenses and Allowances.

C.7. NPR 9700.1, Travel.